



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

17 September 2013

Andrew Tyrie MP
Chairman of the Treasury Committee
7 Millbank
House of Commons
London
SW1A 0AA

A handwritten signature in dark ink, appearing to read 'Iain Duncan Smith'.

I am writing today to update you on the Government's share ownership of Lloyds Banking Group plc ("Lloyds").

Five years ago the previous Government undertook a series of interventions in response to the financial crisis, injecting billions of pounds into the banking sector and taking on state ownership of our largest banks.

Since then there has been a huge amount of progress in reforming and restoring the banking sector. This Government has replaced the previous, failed tripartite system of financial services regulation; is implementing the recommendations of the Independent Commission on Banking to restructure the banking system and deal with the problem of banks that are "too big to fail"; and, in response to the Parliamentary Commission's report on banking standards, will take further action to enhance the soundness and stability of the banking sector, and comprehensively address the problems with standards.

In my Mansion House speech in June, I set out my objectives for the Government's shareholdings in the state owned banks. We want to get the best value for the taxpayer, maximise support for the economy and restore them to private ownership. Given Lloyds' much improved position, I announced that I would actively consider options for selling shares in Lloyds, with value for money the overriding consideration.

Yesterday both UK Financial Investments ("UKFI") and the Permanent Secretary to the Treasury, Sir Nicholas Macpherson, wrote to me advising that the time was now right to execute an initial sale of the Government's shares in Lloyds Banking Group plc, and were satisfied that a sale at this time offered good value for money for the taxpayer. These letters are attached. I therefore decided to start the sales process.

The Government has today sold 6% of the bank's shares to institutional investors for 75p per share, raising £3.2 billion. The sale price is 1.4p per share more than the 73.6p the previous Government bought them at. The impact in reducing the national debt is even greater than this. The shares are held in the national accounts at 61p. Today's sale has

therefore decreased the national debt by £586 million, subject to confirmation from the Office of National Statistics. The sale has reduced the Government's shareholding in Lloyds to 32.7%.

This is a good outcome for the taxpayer. It represents a major milestone on the road from rescue to recovery for the British economy, and in further normalising the banking sector. This is the first in a multi-staged sale programme. I will consider all options for later sales of our shareholding in Lloyds, including a retail offering to the general public.

I am copying this letter to the Chair of the Public Accounts Committee, and placing a copy in the House Library.

GP with

A handwritten signature in dark ink, appearing to read 'George', written in a cursive style.

GEORGE OSBORNE